

TOM BLILEY, VIRGINIA, CHAIRMAN

W.J. "BILLY" TAUZIN, LOUISIANA
MICHAEL G. OXLEY, OHIO
MICHAEL BILIRAKIS, FLORIDA
DAN SCHAEFFER, COLORADO
JOE BARTON, TEXAS
J. DENNIS HASTERT, ILLINOIS
FRED UPTON, MICHIGAN
CLIFF STEARNS, FLORIDA
BILL PAXON, NEW YORK
PAUL E. GILLMOR, OHIO
SCOTT L. KLUG, WISCONSIN
JAMES C. GREENWOOD, PENNSYLVANIA
MICHAEL D. CRAPO, IDAHO
CHRISTOPHER COX, CALIFORNIA
NATHAN DEAL, GEORGIA
STEVE LARGENT, OKLAHOMA
RICHARD BURR, NORTH CAROLINA
BRIAN P. BILBRAY, CALIFORNIA
ED WHITFIELD, KENTUCKY
GREG GANSKE, IOWA
CHARLIE NORWOOD, GEORGIA
RICK WHITE, WASHINGTON
TOM COBURN, OKLAHOMA
RICK LAZIO, NEW YORK
BARBARA CUBIN, WYOMING
JAMES E. ROGAN, CALIFORNIA
JOHN SHIMKUS, ILLINOIS

JOHN D. DINGELL, MICHIGAN
HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
RALPH M. HALL, TEXAS
RICK BOUCHER, VIRGINIA
THOMAS J. MANTON, NEW YORK
EDOLPHUS TOWNS, NEW YORK
FRANK PALLONE, JR., NEW JERSEY
SHERROD BROWN, OHIO
BART GORDON, TENNESSEE
ELIZABETH FURSE, OREGON
PETER DEUTSCH, FLORIDA
BOBBY L. RUSH, ILLINOIS
ANNA G. ESHOO, CALIFORNIA
RON KLINT, PENNSYLVANIA
BART STUPAK, MICHIGAN
ELIOT L. ENGEL, NEW YORK
THOMAS C. SAWYER, OHIO
ALBERT R. WYNN, MARYLAND
GENE GREEN, TEXAS
KAREN MCCARTHY, MISSOURI
TED STRICKLAND, OHIO
DIANA DEGETTE, COLORADO

JAMES E. DERDERIAN, CHIEF OF STAFF

U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515-6115

OPENING STATEMENT OF THE HONORABLE TOM BLILEY
CHAIRMAN, COMMITTEE ON COMMERCE
OVERSIGHT HEARING ON REAUTHORIZATION OF NTIA
April 24, 1997

Good Morning. I thank the Subcommittee Chairman for yielding me time and for holding this hearing.

Today, the Subcommittee has the opportunity to review the operations of NTIA. By 'many measures, NTIA is a relatively small federal agency. It has an operating budget of approximately 65 million dollars and employs 278 full-time employees. Nevertheless, Congress and this Committee have an obligation to ensure that NTIA is operating efficiently and that American taxpayers are not **funding** unnecessary federal programs.

In particular, NTIA spends a great deal of time, resources and effort to operate the Telecommunications and Information Infrastructure Assistance Program, or "**TIIAP**." Through careful analysis we have determined that most of the **TIIAP** grant money is no longer necessary and should be substantially reduced in size or terminated altogether. We have also discovered that this grant program has the ability to distort the workings of the free market and potentially harm small businesses.

The stated purpose of the **TIIAP** grant program is to help provide all Americans with access to advanced telecommunications services. As I understand the FCC's current universal service proposal, it is considering distributing billions and billions of dollars to a vast group of beneficiaries, which include many of the grantees of the existing TIIAP program. In addition, it's worth noting that other federal agencies have requested billions of dollars for grant programs that would overlap with **TIIAP**. Some of these requests have come **from** the Department of Education, the Department of Justice, the Department of Housing and Urban **Development**, and the Department of Agriculture.

More importantly, it is becoming clear that these grants are not, nor could they ever be, distributed in a competitively-neutral manner. Once the grants are distributed to the winning grantee, the marketplace has become instantly manipulated at the detriment of competing service providers. For example, in reading the statement from Andrew Fields of Salem, Oregon, an Internet Service

Provider, we learn that NTIA's grants have harmed his small business. The NTIA grantee in Oregon is undercutting the Internet access price Mr. Fields is able to offer customers. In addition, it is our understanding that the grantee, a non-profit library, is using the federal grants to construct facilities to enable them to generate profits to support other library services. In other words, the NTIA grant recipient used their "seed money" to compete in the local market and to generate a profit for an organization that is non-profit. This is unacceptable. We tried to get Mr. Fields to come to testify today, but he couldn't afford to make the trip on such short notice. As a small business owner, Mr. Fields has to fight to stay in business, especially when he competes against organizations receiving federal subsidies.

I am also concerned about the operating efficiency of NTIA. With respect to the TIIAP grant program alone, NTIA is spending between 10-13% of the money Congress appropriates for this program on administrative expenses. This percentage is simply way too high when compared to administrative costs of other government programs. In addition, NTIA may be performing functions that are no longer necessary, overlap with other agencies, or are simply irrelevant given today's economic and deregulatory telecommunications environment. There comes a point when we have to realize that we are just wasting taxpayer dollars.

In addition, this Committee needs to take a serious look into the NTIA labs located in Boulder, Colorado. We have heard comments that suggest that the ITS lab is beneficial to other government agencies and to the private sector. If this is accurate, there is no reason why the ITS lab cannot be sold to the private sector. The functions of ITS could be maintained and continued in a private entity. The government agencies could contract with a private entity on a confidential basis on any necessary research projects.

The attraction of ITS's functions from the private sector's perspective does seem quite dubious. Little of ITS's operating budget comes from the private sector -- for FY 1997 only 1.5% of ITS's operating budget came from private sector agreements. This suggests that either ITS does not support private sector initiatives or that the Federal government is conducting research for the private sector without being compensated. In these times of limited budgetary spending, the American people should expect better. We can no longer perform research for the sake of doing research. We do not need to provide implicit "seed" research to private industry, especially the highly profitable telecommunications industry.

I look forward to the testimony of the witnesses before us today. I thank the Chairman for his indulgence.